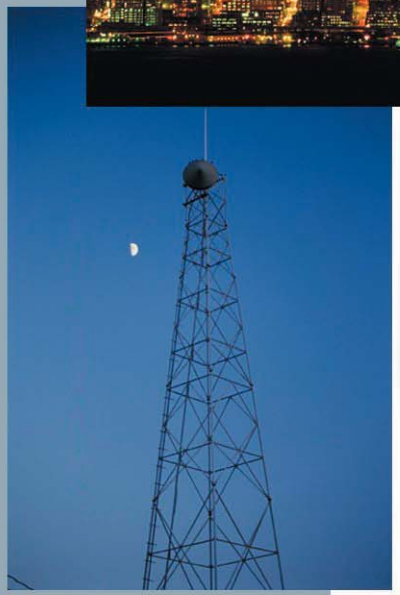


The Energy Policy Act of 2005

House Committee on Energy and Commerce
Joe Barton, Chairman

Senate Committee on Energy and Natural Resources
Pete Domenici, Chairman

Energy Policy Act of 2005

Americans have seen gasoline prices jump this year as crude oil price have risen steadily to $60 a barrel. In the last three years, crude oil prices have gone up 171 percent, according to NYMEX. Gasoline prices have climbed 36 percent and diesel prices are up 55 percent, according to AAA.

The cost of heating and cooling our homes has also climbed sharply. Heating oil prices have gone up 126 percent in three years; the cost of coal has risen 128 percent and the cost of natural gas has climbed 111 percent in that time, according to NYMEX.

Passage of the comprehensive energy bill ensures a more affordable and environmentally friendly energy supply. The bill expands and diversifies energy supply while helping America conserve more energy. These efforts will stabilize energy prices, ensuring prosperity, new jobs and a more secure America.

The House and Senate have produced a balanced, bipartisan bill that will lower energy prices for consumers, spur our economy and create hundreds of thousands of new jobs, and take unprecedented steps to promote greater energy conservation and efficiency.

The H.R. 6 Conference Report represents the most sweeping energy legislation in decades. Specifically the bill:

- ✓ **Addresses rising gasoline prices and our dependency on foreign oil.** Encourages more domestic production of oil with incentives such as a streamlined permit process; promote a greater refining capacity to bring more oil to market; and increases the gasoline supply by stopping the proliferation of expensive regional boutique fuels. To scale back demand for oil, the proposal encourages vehicles powered by hydrogen fuel cells and increases funding for Department of Transportation work to improve fuel-efficiency standards.

- ✓ **Extends Daylight Saving Time by four weeks – three weeks in the spring and one week in November – to reduce energy consumption by the equivalent of 100,000 barrels of oil for each day of the extension**. The new times go into effect in March 2007. Congress also directed the Department of Energy to conduct a study of possible energy savings. If the study does not report adequate savings, Congress has the option to return to the original Daylight Savings Time schedule. Studies indicate that the proposal to adopt Daylight Savings Time from the second Sunday in March to the first Sunday in November will also lower crime and traffic fatalities and allow for more recreation time and increased economic activity.

- ✓ **Deters unfair foreign competition from undermining U.S. energy security.** The bill delays the government's Committee on Foreign Investments in the United States (CFIUS) from reviewing sensitive international energy mergers, such as the active bid for Unocal by the Chinese National Overseas Oil Company – an entity 70 percent owned by the communist Chinese government – for 120 days to allow for a review by the Departments of Defense, Energy and Homeland Security. The assessment would examine the proposed deal's impact on U.S. energy security and whether or not an American company would be allowed to make such an acquisition in the foreign company's host country. CFIUS would also be required to wait three weeks after completion of the study before it can make recommendations to the president the international merger at issue.

- ✓ **Boosts production and importation of clean natural gas** to help alleviate soaring prices for the environmentally friendly fuel. Specifically, the bill breaks the bureaucratic logjam that has stymied work on approximately 40 liquefied natural gas facilities nationwide.

- ✓ **Improves our nation's electricity transmission capacity and reliability to prevent future blackouts** through the adoption of reliability standards, incentives for transmission grid improvements and reform of transmission authorization rules.

- ✓ **Promotes clean and renewable fuels**, by providing incentives for clean coal technology and renewable energies such as biomass, wind, solar and hydroelectricity.

- ✓ **Requires greater energy conservation** by establishing first-time efficiency standards for 15 commercial and residential appliances that traditionally use a great deal of energy, including commercial washers, refrigerators, air conditioners, freezers and icemakers. The American Council for an Energy Efficient Economy estimates the efficiency standards in the energy bill will shave 50,000 MW off peak electricity use by 2020 – energy savings equal to 170 300-MW power plants. The energy bill also establishes new mandatory efficiency requirements for federal buildings.

- ✓ **Encourages more nuclear and hydropower production** by authorizing the Department of Energy to develop accelerated programs for the production and supply of electricity; setting the stage for the lengthy process of building new nuclear reactors by reauthorizing Price Anderson; and improving current procedures for hydroelectric project licensing.

"This is most comprehensive energy legislation in the last 30 years. This balanced bill will lower energy prices for consumers, spur our economy, create hundreds of thousands of jobs and take unprecedented steps to promote greater energy conservation and efficiency," said U.S. Rep. Joe Barton, R-Texas, chairman of the House Energy and Commerce Committee. "I agree with our president – four years is long enough for an energy bill. This agreement turns the tide and offers support to both our economy and our national security."

"This is truly a bipartisan bill. It was crafted in an open, bipartisan fashion and reflects the priorities of both parties and all regions of the country. I am as proud of the process as I am of the bill. We give America the tools to address this nation's energy challenges for years to come while creating jobs, protecting our environment and growing the economy," said U.S. Sen. Pete V. Domenici, R-N.M., chairman of the Senate Energy and Natural Resources Committee.

ENERGY POLICY ACT OF 2005

The Energy Bill Saves Jobs and Will Create Nearly Half a Million Jobs

The energy bill will prevent the loss of hundreds of thousands of jobs due to costs associated with high energy prices. The new jobs will be in all sectors, including manufacturing, construction, agriculture and technology. According to the National Manufacturing Association, this bill will save nearly 2 million American jobs over the next decade.

Natural Gas and Coal

- America's substantial investment in clean coal technology **creates 62,000 jobs** and ensures Americans new electricity that is abundant, reliable, affordable and cleaner than ever before. (Coal Utilization Research Council.)

    - ✓ **40,000 new construction jobs** created by the construction of approximately 27 large clean coal plants
    - ✓ **12,000 full-time, permanent jobs** related to plant operation
    - ✓ **10,000 research jobs in the fields of math, engineering, physics and science at an estimated annual salary of $125,000.**

Renewable Fuels Standard

- The renewable fuel standard in the bill will create 234,840 new jobs in all sectors of the U.S. economy and expand U.S. household income by $43 billion over the next decade. (American Farm Bureau)

Nuclear Energy

- Building a first-of-its-kind nuclear reactor to co-generate hydrogen will **create 3,000 construction jobs and 500 long-term, high-paying, high-tech jobs**. (Nuclear Energy Institute)

- Nuclear production tax credits will spur the construction of approximately 6 advanced nuclear reactors. This construction will **create 9,000 new jobs.** Running the plants will **create 8,640 permanent new, high-tech jobs**. (Nuclear Energy Institute)

- The Price Anderson renewal in the bill **would protect 61,800 jobs at 103 plants** nationwide (Nuclear Energy Institute).

Renewables

- Incentives for geothermal energy will bring between 350 and 500 megawatts of clean and renewable geothermal energy online over the next three years. **This will create between 750 and 1,000 direct jobs and between 7,500 and 10,000 indirect jobs**. (Geothermal Energy Association).

- Incentives for solar energy will **assist in creating 20,000 new jobs** in the solar energy industry by 2010. (The Solar Energy Institute Association.)

- Biomass provisions will put **1,000 people back to work** in at least 20 biomass plants from New York to California that have recently been idled.

- Incentives for wind will help create an estimated 5,285 new megawatts of clean and renewable power through 2007. Each new megawatt of wind energy creates between 15 and 19 direct and indirect jobs, for an estimated **100,000 new jobs through 2007.** (American Wind Energy Association, European Wind Energy Association.)

Energy Policy Act of 2005

STIMULATING THE ECONOMY AND CREATING JOBS

Energy is vital to every sector of the U.S. economy, including homes, small businesses and industries. Energy powers computers, appliances, technology and the Internet and fuels transportation and farming processes. When energy supplies are tight, families and businesses are severely impacted by the resulting increase in energy costs. High energy prices and a deteriorating energy infrastructure have caused home heating bills to skyrocket and forced many U.S. manufacturers to slow production, lay off workers and even go out of business.

The Energy Policy Act of 2005 will help to stimulate the economy and create jobs by:

- **Requiring 7.5 billion gallons of renewable fuel to be included in all gasoline sold in the United States by 2012.** This increased use of ethanol will save more than 2 billion barrels of oil by 2012, improve the trade deficit by $34 billion by 2012 and generate $43 billion in income for American consumers by 2012.

- **Promoting investment in critical electric transmission capacity and efficiency measures** will advance the construction and upgrading of electric transmission lines, creating thousands upon thousands of new jobs for utility construction and related workers.

- **Allowing for more natural gas exploration and development** by providing royalty relief for deep and ultra-deep gas wells in the shallow waters of the Gulf of Mexico and streamlining the onshore permitting process to bring gas to market faster. Improved access to North America's abundant natural gas resources will help to reduce high utility bills, create jobs and provide millions in increased revenues for the U.S. economy.

- **Increasing America's stake in nuclear energy**, encouraging the construction of six new advanced nuclear reactors. Building a nuclear reactor creates 3,000 construction jobs for four years or more. Running a nuclear reactor creates an estimated 1,500 jobs. These are highly trained trade or professional jobs that pay well.

- Encouraging renewable energy usage by authorizing funding for commercialization and federal building installation of solar power. The bill also provides tax incentives for the purchase and installation of solar equipment in homes. These provisions will provide a significant boost for the solar energy industry and create new jobs for building contractors.

ENERGY POLICY ACT OF 2005

PROTECTING OUR ENVIRONMENT FOR FUTURE GENERATIONS

The Energy Policy Act of 2005 includes crucial energy conservation and environmental protection measures that will improve the quality of life for all Americans for decades to come. The bill will:

- **Launch a state-of-the-art program to get hydrogen fuel-cell vehicles on the roads by 2020.** Hydrogen energy can be produced from nearly any energy source, is virtually emission-free and has the potential to be a nearly limitless fuel for America.

- **Improve regulation on hydroelectric dams to allow for more hydroelectric power generation**, **while preserving existing protections for fish and the environment.** Hydroelectric dams are the nation's single largest renewable energy source and account for about 7 percent of America's electricity supply.

- **Increase funding for the Department of Energy's "Clean Cities" program**, which provides grants to state and local governments to acquire alternative fueled and fuel cell vehicles, hybrids and ultra-low sulfur diesel vehicles. Also includes a "conserve by bicycling" program.

- **Authorize two new "Clean School Bus" programs**. The first provides $100 million to retrofit existing diesel buses with new pollution control technology. The second program authorizes $200 million in grants for replacement of older school buses with clean alternative fueled and ultra-low sulfur fueled buses.

- **Take crucial steps toward reducing greenhouse gas emissions** by offering financial incentives for renewable energy companies to produce electricity from renewable and alternative fuels such as wind, solar, biomass, geothermal, ocean and others.

- Bring much-needed supplies of natural gas to the public by **allowing for more natural gas exploration, transportation and development.** Natural gas is an excellent choice for the environment with its clean burning properties that reduce greenhouse gas emissions and help communities comply with air quality standards.

- **Increase America's use of solar energy**, starting with a goal of installing 20,000 solar rooftop systems in federal buildings by 2010, as well as a separate $210 million program for concentrating solar power for hydrogen production and tax credits for the purchase and installation of residential solar equipment.

- **Contain a renewable fuels requirement** to add 7.5 billion gallons of ethanol and other renewable-based fuel to the nation's gasoline by 2012.

- **Provide $1.8 billion for the Clean Coal Power initiative**, which will provide funding for projects that can demonstrate advanced technologies that will significantly reduce pollution emissions. These projects must meet stringent environmental performance standards and vastly increased efficiency standards.

- Increase funding for the Department of Transportation to **continue its work on improving Corporate Average Fuel Economy (CAFE) standards**, which set fuel emission standards for cars and light trucks sold in the United States.

ENERGY POLICY ACT OF 2005

PROMOTING ENERGY EFFICIENCY AND CONSERVATION

- **America's energy consumption is at an all-time high and rising**, despite ongoing efficiency gains, with consumption projected to grow.

- **If our nation is to meet these needs in the coming decades, it will be in part due to continued advances in energy efficiency and conservation** – helping to reduce our demand on foreign supply and stimulating economic growth.

- One goal is to **save consumers and business money spent on energy, so they can invest, spend and grow the economy and improve our standard of living.**

- Included in the Energy Policy Act of 2005 is a package of energy efficiency, renewable energy and state energy measures that are **key steps forward toward enhancing our natural economic drive to use existing energy supplies more efficiently**.

- Creates ambitious efficiency and conservation program that **sets first-time efficiency standards for 14 large appliances and raises the efficiency standards for others**. Provides a total of $2.7 billion in tax incentives to encourage efficiency and conservation.

- These provisions **will shave between 10 and 40 percent off the anticipated growth of energy demand by 2015**. The American Council for an Energy Efficient Economy reports that these provisions will save 50,000 MW of peak electricity demand by 2020. That's the equivalent of 170 300-MW power plants.

- **Energy efficiency and conservation measures in the Energy Policy Act of 2005:**

  - ✓ **Authorizes $3.7 billion for a hydrogen fuel-cell program** with a goal of launching hydrogen fuel-cell cars into the marketplace by the year 2020.

  - ✓ **Authorizes $100 million for increased hydropower production** through increased efficiency at existing dams. Hydropower is the nation's single largest renewable energy source and accounts for about 7 percent of our electricity supply.

  - ✓ **Includes financial incentives for renewable energy companies** to produce electricity from renewable and alternative fuels such as wind, solar, biomass and others.

  - ✓ **Requires a 20 percent reduction in federal building energy use by 2015**, provide funding for energy efficiency programs for public buildings, including schools and hospitals, and increase fuel efficiency requirements for federal vehicles.

  - ✓ **Dramatically increases funding for the Low Income Housing Assistance Program** (LIHEAP), low-income weatherization programs, and state energy programs to improve energy efficiency.

  - ✓ **Expands the Energy Star program**, a government industry partnership for promoting energy-efficient products.

U.S. House Committee on Energy and Commerce Press Office, (202) 225-5735, http://energycommerce.house.gov

U.S. Senate Committee on Energy and Natural Resources Press Office, (202) 224-6977, http://energy.senate.gov/public

- ✓ **Establish new energy efficiency standards** for many new commercial and consumer products that use large amounts of energy – providing significant savings on monthly energy costs.

- **Tax incentives for using energy efficient equipment:**

  - ✓ Expands an existing business solar investment tax credit from the current 10 percent to 30 percent for the purchase of solar equipment.

  - ✓ A tax deduction equaling the cost of energy efficient equipment installed if the equipment reduces the energy and power consumption of a commercial building by 50 percent.

  - ✓ Tax credits for the contractors of new energy efficient homes if the homes achieve an energy savings of 50 percent or more over the 2003 International Energy Conservation Code.

  - ✓ Tax credits for the purchase of water heaters, heat pumps, air conditioners, furnaces and other equipment that achieve certain efficiency levels when purchased for residential properties.

  - ✓ A new tax credit for manufacturers who produce highly energy-efficient dishwashers, clothes washers and refrigerators.

  - ✓ 30 percent tax credit for the purchase of solar, photovoltaic and fuel cell properties for use in residences

Energy Policy Act of 2005

ADVANCING ENERGY INNOVATION AND EFFICIENCY

The Energy Policy Act of 2005 promotes innovative research and development initiatives to increase the efficiency of all energy intensive sectors, to promote diversity in energy supply, improve energy security and protect the environment from energy-related activities.

Programs in the bill authorizing funding over the next five years include:

- **$3.7 billion for activities dedicated to energy efficiency and conservation**, including establishment of a national building performance initiative, authorization of a consortium to develop the next generation of lighting technologies, and authorization of $150 million in competitive grants for energy efficiency science initiatives.

- **$1.1 billion** to develop distributed energy and electricity systems **technologies to help prevent future blackouts**.

- **$3 billion dedicated to developing affordable, efficient renewable energy technologies** and promoting their widespread use.

- **$2.7 billion for nuclear energy research** and infrastructure support, including development of safe uses for spent nuclear fuel and advanced reactor designs, support for university nuclear science and engineering programs and establishment of a program dedicated to increasing the safety and security of nuclear power plants.

- **$2.9 billion for fossil energy research** to ensure more efficient exploration and development of oil, gas and coal, while decreasing the environmental impact of fossil energy production and use.

- **A program of collaborative research and technology transfer between the United States and Mexico**, and a program of Western Hemisphere Energy Cooperation, to promote economic development, effective energy policies and environmental protection.

- **Other programs include establishment of a technology infrastructure program** to modernize DOE's activities to support the nation's energy policies, **and a directive to the secretary to designate small business advocates to conduct outreach to private businesses.**

ENERGY POLICY ACT OF 2005

GASOLINE PRICES

Background

- **As of July 11, 2005, crude oil price accounts for 55 percent of the price of a gallon of gasoline, driven by global supply and demand.**
  - ✓ U.S. depends on foreign sources of oil for 62 percent of our nation's supply. Projected to be 75 percent by 2010.
  - ✓ **Global crude oil demand is increasing**, particularly in places like China. China's oil demand is expected to grow this year by 800,000 barrels per day and represents more than one-third of the total growth in global demand, according to the Energy Information Agency (EIA). In the U.S., oil demand is projected to grow by 340,000 barrels per day this year and gasoline demand is projected to grow nearly 2 percent, averaging 9.3 million barrels per day for the summer, according to EIA.

- **Gasoline prices are high for two reasons:**
  - ✓ **Little spare capacity and restricted supply**
    - ➢ World's spare capacity to pump more petroleum is limited to about 1 percent of world demand.
    - ➢ OPEC has increased its production quota but it is already producing 2 million barrels per day above its quota.
  - ✓ Tight refining capacity and changes in gasoline specifications limit supply flexibility.

Solution: The Energy Policy Act of 2005

In 1973, America imported 30 percent of its crude oil needs. Today, that number has doubled to more than 60 percent. The Energy Policy Act of 2005 contains a balanced package of production and conservation measures that will help America reduce its dependence on unstable foreign oil while meeting its energy needs well into the 21st century.

Gas prices are as high as they are now in part because we've had no comprehensive national energy policy for the past few decades. This legislation will not lower prices overnight, but it will put us on a path to produce more oil here at home and foster greater conservation and efficiency – boosting supply and lowering demand.

State requirements for the production of specialty "boutique fuels" create geographic supply islands which cause price spikes in times of a supply disruption or tight supply. Local requirements make it difficult, in times of a supply disruption or shortage, for excess supply from another area of the country to make up the difference, therefore prices are kept artificially high.

ENERGY POLICY ACT OF 2005

GASOLINE PRICES

This legislation:

- **Expands domestic supply**
  - ✓ Increases domestic oil and gas exploration and development on non-park federal lands.
  - ✓ Requires 7.5 billion gallons of renewable fuel to be included in all gasoline sold in the United States by 2015. This will reduce crude oil imports by more than 2 billion barrels.
  - ✓ Provides coordination between the EPA and federal and state agencies to promote efficient permitting processes for refineries.

- **Increases conservation efforts**
  - ✓ To scale back demand for oil, the legislation launches a state-of-the-art program to get hydrogen fuel-cell vehicles on the road by 2020. Hydrogen energy can be produced from nearly any energy source, is virtually emission-free and has the potential to be a nearly limitless fuel for America.
  - ✓ Increases funding for the Department of Transportation to continue its work on improving Corporate Average Fuel Economy (CAFE) standards, which set fuel emission standards for cars and light trucks sold in the United States.
  - ✓ Increases funding for the Department of Energy's "Clean Cities" program, which provides grants to state and local governments to acquire alternative fueled and fuel cell vehicles, hybrids and ultra low-sulfur diesel vehicles.
  - ✓ Includes $2.9 billion for fossil energy research to ensure more efficient exploration and development of oil, gas and coal, while decreasing the environmental impact of fossil energy production and use.

- **Reduces our dangerous dependence on foreign oil**
  - ✓ Allows new domestic oil and gas exploration and development.
  - ✓ Authorizes expansion of the Strategic Petroleum Reserve's capacity to 1 billion barrel.
  - ✓ Calls for a DOI inventory of oil and gas resources on the Outer Continental Shelf to enable to the federal government to better assess the extent of these resources.

- **Establishes cap on the number of boutique fuels**
  - ✓ Gives the EPA administrator, in the event of an extreme and unusual supply emergency, (i.e., a Gulf of Mexico hurricane impacts refinery production and distribution; unexpected pipeline disruption) the ability to temporarily waive certain requirements to limit supply disruption, thus avoiding potential supply and price spikes.
  - ✓ Alleviates factors contributing to price increases by stating that the EPA's approval of a new fuel must not cause fuel supply interruptions or a significant adverse impact on the ability to produce a fuel.

ENERGY POLICY ACT OF 2005

INVESTING IN RELIABLE ELECTRICITY AND PROTECTING HOMETOWN CONSUMERS

The **Energy Policy Act of 2005** was crafted to prevent devastating blackouts like the one America experienced in 2003. The bill contains important measures that will help to attract new investment into the industry and ensure the reliability of our nation's electricity grid. The bill provides for enforceable mandatory reliability standards, incentives for transmission grid improvements and reform of transmission siting rules. The bill includes the following highlights:

Transparency

✓ **Protects consumers by preventing the manipulation of gas and electricity prices and increasing the penalties for violating federal prohibitions against these crimes.**

- The bill authorizes FERC to proscribe rules necessary to protect price transparency. FERC can establish an electronic reporting system if existing price reporting is not adequate.
- It includes an explicit prohibition on filing false information and a tougher ban on general manipulation as well as increased penalties for violating the Federal Power Act.
- Protection for utility consumers in the Enron bankruptcy from unfair contract termination fees by authorizing FERC to determine those fees.

Reliability Rules

✓ **Provides for mandatory, enforceable reliability rules**, allowing for regional variations and flexibility for states to provide for additional protections.

Transmission Investments

✓ **Provides for transmission rate reforms that improve reliability and specifically benefit consumers by reducing transmission congestion**. Repeals antiquated regulatory schemes, like the Public Utility Holding Company Act (PUHCA), to unleash investment capital needed to upgrade aging infrastructure. Expedites transmission line siting processes where needed to benefit consumers.

Regulatory Certainty For Better Operation

✓ **Provides incentives for utilities to form Regional Transmission Organizations** (RTO) for more efficient and reliable operation of the transmission grid. Favors incentive approach to allow regional flexibility, not a one-size-fits-all mandate.

Protects Hometown Consumers From Excessive Costs and System Overload

✓ **Standard Market Design (SMD) Reform**. Terminates FERC's controversial proposed rule-making on Standard Market Design.

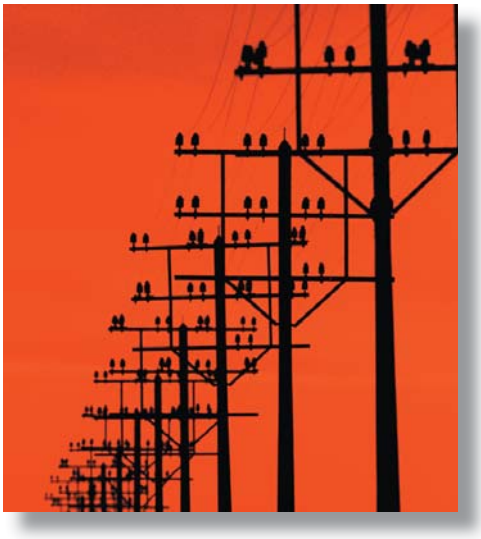
✓ **Protects "Native Load" Rights To Transmission System**. Hometown consumers should not have to sacrifice reliable electric service or wait in line behind out-of-town merchant power sellers who want to use the grid to ship massive quantities of power through the local system to distant markets. Native load provision ensures that hometown consumers retain priority use of the system to keep their lights on.

Energy Policy Act of 2005

FAIR, BALANCED ELECTRICITY TITLE WILL STRENGTHEN THE GRID TO PREVENT BLACKOUTS

Consensus support. The electricity title has broad and strong support from a wide range of market participants.

Anti-blackout bill. Includes several important provisions that will help ensure reliability by providing for appropriate regulation, incentives for transmission grid improvements, siting authority, elimination of barriers to new investment, tax incentives for transmission improvements and greater energy efficiency.



Siting. One barrier to new construction of, and new investment in, transmission is siting restrictions at the state and local levels. The bill provides for a federal role in siting transmission lines on private lands (eminent domain), and a greater state role in siting lines on federal lands. More transmission means less congestion and more generation, including wind and other renewables, available where demand is highest.

Enforceable reliability standards. Authorizes an Electric Reliability Organization, under FERC oversight, to establish and enforce mandatory rules for the reliable operation of the interstate transmission grid (compliance is now all-voluntary).

Regional coordination. Uses incentives, not a one-size-fits-all mandate, to speed up completion of Regional Transmission Organizations to improve regional coordination and communication to prevent blackouts.

Removing federal barriers to investment. PUHCA needlessly restricts capital investment in our nation's energy infrastructure. Studies show that reliability is jeopardized and consumers are paying more than a billion dollars per year due to congested energy infrastructure. The bill repeals this antiquated regulatory scheme to unleash investment capital needed to upgrade aging infrastructure. Investors have announced their intention to invest billions of dollars in the industry when PUHCA is repealed.

Transmission rate reform. The Department of Energy, FERC, NERC and others have warned for years that a lack of investment in electric transmission capacity in the nation's power grids could lead to blackouts. A NERC report in 2000 stated: "To support the reliability of the bulk power system, proper incentives must be developed to encourage transmission construction." The bill directs FERC to reform its transmission rates to spur investment in transmission infrastructure and speed deployment of reliability-enhancing transmission technologies. Transmission incentives are allowed only where FERC determines they will benefit consumers, result in just and reasonable rates, and improve reliability.

Transmission technology programs. Launches major initiatives for the research, development, and deployment of new transmission and generation technologies to increase efficiency and reliability of the grid. FERC is directed to implement these technologies, including renewables and distributed generation technologies. Model standards for net metering and "smart" metering will improve demand management.

Tax reform to promote, not punish, grid upgraded. Provides accelerated depreciation for electric transmission upgrades, similar to the tax treatment governing other major capital assets.

ENERGY POLICY ACT OF 2005

NUCLEAR ENERGY

Nuclear energy is the world's largest source of emission-free energy. The use of nuclear energy in place of other energy sources helps to keep the air clean, preserve the earth's climate, avoid ground-level ozone formation and prevent acid rain.

- **Nuclear energy provides a reliable, low-cost source of electricity,** without emissions, and currently accounts for 20 percent of our electricity. We cannot afford to lose this source of clean power.

- Nuclear energy is an **essential component of energy diversity**, which must be maintained to avoid over-reliance on any one source. We've seen staggering increases in natural gas prices as we've dramatically increased our reliance on this fuel.

- **The last license for a U.S. nuclear plant was in 1978**. The technology underpinning our plants is about 30 years old. If we want to maintain energy diversity in this country, we need to encourage the construction of new plants, just as we encourage other forms of energy production in the energy bill.

- The **Energy Policy Act of 2005** paves the way toward new nuclear plant construction starting with a 20-year reauthorization of the public liability protections in the Price Anderson Act. Without Price Anderson, no plants can be constructed.

    - ✓ The energy bill **offers a 1.8 cent per kilowatt hour production tax credit for electricity produced by new nuclear power.** This applies only to the first half dozen advanced nuclear power plants.

    - ✓ It **offers federal loan guarantees for innovative technologies** – including new advanced nuclear reactors – that will diversify and increase energy supply while protecting the environment. These guarantees are available only for new technologies that provide clean energy and protect the environment. Those seeking guarantees pay into the U.S. Treasury a sum equal to the financial risk assessed by the CBO, thus not costing taxpayers a dime.

    - ✓ **Establishes standby support framework through the DOE for new nuclear plant construction** against regulatory or judicial delays for six reactors. This standby support would cover the delay before plant is put into operation.

    - ✓ **Creates a stand-by support program to ensure that consumers do not have to pay higher electricity bills because of unforeseen delays** in the construction of new nuclear power plants due to bureaucratic red tape or litigation. The program insures the utilities for the cost of these delays.

    - ✓ **Provides for the export of high enriched uranium to Canada, Belgium, France, Germany or the Netherlands for the sole purpose of producing diagnostic and life saving medical isotopes** until a low enriched uranium alternative is commercially viable and available.

    - ✓ **Strengthens security of nuclear facilities**, including improved federal oversight of plant security and the expansion of federal statutes for sabotage of nuclear facilities.

- There is no question that the time is ripe for new nuclear plant construction. With these provisions, **we can enable utilities to evaluate whether nuclear energy can be an effective contributor to our nation's future electricity requirements.**

U.S. House Committee on Energy and Commerce Press Office, (202) 225-5735, http://energycommerce.house.gov

U.S. Senate Committee on Energy and Natural Resources Press Office, (202) 224-6977, http://energy.senate.gov/public

ENERGY POLICY ACT OF 2005

ENSURING AFFORDABLE, ABUNDANT SUPPLIES OF CLEAN-BURNING NATURAL GAS

Natural gas is a major source of fuel in the United States and is encouraged by the federal government for its clean-burning, environmentally friendly qualities. North America's non-park federal lands contain enough natural gas to supply energy to 100 million homes for 157 years. However, Americans are denied access and forced to pay high home heating costs because of bureaucratic red tape that leaves those much-needed supplies in the ground.

High Natural Gas Prices Hurt American Families and Threaten Economic Growth

- More than one-half of U.S. homes use natural gas as their main heating fuel, yet high demand without adequate supply has caused prices to skyrocket. Extraordinary gas and electric bills hit the elderly and those on fixed incomes first, and hardest.
- Natural gas is the backbone of American manufacturing. It is the primary source of energy in the industrial sector and accounts for nearly 38 percent of total energy consumption.
- When natural gas supplies are tight, businesses of all kinds are impacted by the resulting high prices. High natural gas prices have caused hundreds of manufactures to slow production, lay off workers and caused some to go out of business.

Our Environment, Our Economy and Our Quality of Life ALL Depend on Natural Gas

- ***American families*** rely on natural gas to fuel stoves, furnaces, water heaters, clothes dryers and backyard barbeques. Everyday products such as plastic, medicines, photographic film and paints are produced using natural gas.
- ***Businesses*** depend on natural gas to produce steel, glass, paper, clothing, aluminum, brick and most importantly, electricity.
- ***Farmers*** rely on natural gas to produce the fertilizer needed for the crops that become the food on the tables of every American.
- ***Natural gas is an excellent choice for our environment***. Its clean-burning properties help communities comply with tough air quality standards and reduce greenhouse gas emissions.

The Energy Policy Act of 2005 will allow for more natural gas exploration, transportation and development to help ensure a reliable and affordable flow of energy into our homes and businesses by:

- ✓ Bringing much-needed supplies of natural gas to the public by **providing royalty relief for deep gas wells in the shallow waters of the Gulf of Mexico** and providing incentives for marginal wells that would otherwise be plugged.

- ✓ Cutting through bureaucratic red tape by **streamlining permitting for natural gas projects on federal lands** and ensuring timely decisions on lease applications for natural gas production.

ENERGY POLICY ACT OF 2005

LIQUIFIED NATURAL GAS FACILITY SITING

Background

- **U.S. demand for natural gas is at an all-time high.** It is a primary fuel source for the nation's electricity, industrial and residential sectors, comprising 23 percent of our total energy consumption emissions. **Natural gas is also the cleanest fossil fuel**, resulting in approximately 50 percent less carbon dioxide than coal and 33 percent less than oil.

- Groups as varied as the Natural Resources Defense Council and Dow Chemical Company support a greater role for natural gas in America's economy.

- One important source of the fuel is liquefied natural gas (LNG), which has been utilized and transported around the world for 50 years. Japan and South Korea, among others, use LNG for virtually all of their natural gas needs.

- **LNG currently makes up 2 to 3 percent of the U.S. natural gas supply; by 2025, this could rise to 20 percent,** according to the Department of Energy's Energy Information Administration. In 2003, Federal Reserve Board Chairman Alan Greenspan said LNG could play an integral part in meeting our nation's future energy demands.

- Despite high demand and widespread support for increased natural gas production, construction and expansion of LNG facilities is at a standstill. According to the Federal Energy Regulatory Commission (FERC), around 40 LNG terminals are in various stages of planning throughout North America. **Litigation and activist local officials are tying up the federal permitting process with red tape.**

- **LNG import projects involve foreign commerce and therefore their regulation is a federal issue.** Under the U.S. Constitution, the federal government has preemptive authority in the areas of foreign and interstate commerce. LNG import projects involve receiving gas from foreign nations (such as Australia and Trinidad) and clearly fall under federal jurisdiction. In writing the Constitution the states gave the federal government the power to oversee international commerce and Congress affirmed this authority for natural gas in the Natural Gas Act of 1938.

- **Federal preemption for siting ensures the highest safety and security for LNG terminals.** The federal agencies have the facility expertise – not the states. FERC has similar preemptive authority in the area of safety for hydropower. The NRC has federal preemptive authority in the area of safety for nuclear energy. The LNG provisions provide consistency with how we treat other sources of energy.

ENERGY POLICY ACT OF 2005

LIQUIFIED NATURAL GAS FACILITY SITING

Solution: The Energy Policy Act of 2005

The Energy Policy Act of 2005 will simplify the regulatory process for the siting of liquefied natural gas terminals, allowing industry the certainty to accelerate the production and import of LNG – lowering energy costs for American consumers.

Specifically the legislation:

- Clarifies the federal government's role in siting LNG facilities.
- Provides a statutory framework for the efficient approval of LNG terminal authorizations and assists in the expansion of the LNG transport industry.
  - ✓ Designates FERC as lead federal agency for the purposes of coordinating all review proceedings under federal law and NEPA review;
  - ✓ Requires FERC to establish a schedule for all proceedings required under federal law to construct, expand or operate any LNG terminal;
  - ✓ Requires FERC to maintain a consolidated administrative record for use in any administrative appeal or judicial review; and
  - ✓ Grants the U.S. Court of Appeals original and exclusive jurisdiction for judicial review of any orders by any agency acting pursuant to federal law relating to the terminal.

States Will Have a Significant Role in Permitting Authority

- **FERC would be required to actively consult with the states to consider state and local safety priorities.**

- These state and local safety concerns include:
  - ✓ The kind and use of facility;
  - ✓ The existing and projected population of the local area;
  - ✓ The existing and proposed land use near the local area; and
  - ✓ The natural and physical aspects of the location.

- **Nothing in the LNG provisions limit existing states' rights with regard to either federal or state permitting of proposed LNG import facilities.** The legislation simply affects siting (or authorization) power, not safety or any other restrictions.
  - ✓ LNG import projects will continue to be subject to state agencies pursuant to delegated authority under federal law through the Coastal Zone Management Act, Clean Water Act and Clean Air Act.
  - ✓ LNG import projects will also be subject to the numerous other state permitting requirements under state laws (e.g., state water use permits, contingency plan approvals, wetland protection permits, zoning authorizations, building permits). For example, an LNG project in Massachusetts must receive more than 40 separate federal, state and local permits. Texas requires more than two dozen permits.

- **The state may conduct safety inspections of the LNG import terminal when the terminal is operating.** Enforcement will remain at the federal level and federal agencies will retain the authority to promulgate safety rules and regulations, the legislation makes clear that.

Energy Policy Act of 2005

TRANSPORTATION FUELS AND VEHICLES

The energy bill includes a wide-ranging set of measures to address transportation fuels and new technology vehicles. The bill represents the largest effort to improve the nation's use of alternative fuels in more than 10 years. It will serve to accelerate the use of fuel cells, alternative fuels and hybrid technology in the transportation sector. A few of the bill's highlights follow:

Renewable Fuel Requirement

- The bill **requires, that by 2012, at least 7.5 billion gallons per year of renewable fuel be blended into the nation's gasoline supply.**

- **Allows production of renewable fuel from such traditional sources as corn and other crops or from plants, grasses, agricultural residues and waste products.** The bill includes incentives for the production of renewable fuel from these "non-traditional" sources, allowing greater credits for ethanol derived from cellulosic biomass or waste.

- **Authorizes loan guarantees and grants for the construction of facilities** to process and convert municipal solid waste and cellulosic biomass into fuel ethanol and other commercial byproducts.

Automobile Efficiency/CAFE

- **Includes increased funding** to $17.5 million over five years (2006-2010) for the Department of Transportation to continue its work on improving Corporate Average Fuel Economy (CAFE) standards.

- Includes a study, to be done by the National Highway Traffic Safety Administration (NHTSA), to **look into alternatives to the CAFE program** and examine the amount of fuel consumed by automobiles.

- **Requires that NHTSA to consider the impact on automobile industry jobs and auto safety.**

- **Requires automakers who manufacture dual-fuel vehicles to alert consumers to the vehicle's fueling options with labels on the fuel compartment.**

Vehicles and Fuels

- **Requires "dual-fueled" vehicles acquired under the Energy Policy Act of 1992 (EPAct) to be operated on alternative fuels**, includes certain low-speed electric vehicles in EPAct, provides additional credits for medium and heavy duty alternative fuel vehicles, and increases incentives for the purchase and use hybrid vehicles and for investment in alternative fuel infrastructure. Also provides an alternative compliance mechanism based on petroleum displacement and includes new provisions on lease condensates.

- **Authorizes $200 million for an advanced vehicle program.** This program, operating under the current Department of Energy "Clean Cities" program, would provide grants to state and local governments to acquire alternative fueled and fuel cell vehicles, hybrids and other vehicles, including ultra-low sulfur diesel vehicles.

- **Provides a 30 percent credit (up to $30,000) for investments in alternative fuel refueling stations.** Qualifying fuels include E-85, natural gas, hydrogen and biodiesel, among others. The credit expires after December 31, 2007.

- **Offers business and consumers tax credits for the purchase of alternative-fuel and hybrid vehicles.** The value of the tax credit ranges from $2,000 for smaller, personal cars to $40,000 for the purchase of buses, etc. This conservation incentive alone totals $874 million.

- **Creates the joint flexible fuel hybrid vehicle commercialization initiative** to improve technologies for the commercialization of hybrid/flexible fuel vehicles. The program is intended to reduce petroleum consumption by bringing new clean technologies to the market faster.

- **Creates new programs to create railroad efficiency, aviation fuel conservation and emission reductions**, reduce heavy engine idling times to reduce fuel consumption and pollution and to promote ultra-efficient energy technology for air crafts.

- **Authorizes two new "Clean School Bus" programs.** The first program would provide $100 million to retrofit existing diesel buses with new pollution control technology. The second program authorizes $200 million in grants for replacement of older school buses with clean alternative fueled and ultra-low sulfur fueled buses.

Hydrogen

- **Creates a state-of-the-art program to get hydrogen-powered automobiles on the road by 2020** along with the necessary infrastructure to provide for the safe delivery of hydrogen fuels.

- **Requires the Department of Energy to develop a plan outlining technical milestones as well as technical and non-technical hurdles to hydrogen vehicles and their associated infrastructure.** The hydrogen program, to be conducted as a public/private partnership, is to address the production of hydrogen from diverse sources, including fossil fuels, hydrogen-carrier fuels and renewable energy resources including biomass and nuclear energy. The program also addresses pipeline hydrogen transmission, convenient refueling, advanced vehicle technologies, hydrogen storage and the development of necessary codes and standards.

- Overall, the **program envisions a commitment by automakers no later than 2015 to enable the production and delivery of hydrogen vehicles in the mass consumer market by 2020** – along with a corresponding timeframe for commitment and market availability of hydrogen fuel. A limited number of demonstration projects are authorized consistent with a determination on the maturity of the involved technology. An interagency task force on hydrogen as well as an outside advisory committee is also established. Funding is authorized at more than $2 billion over five fiscal years.

Other Provisions

- **Directs the Secretary of Energy to accelerate efforts to improve batteries and other rechargeable energy storage systems, power electronics, hybrid systems integration and other technologies** for use in hybrid vehicles.

- **Authorizes five-year research and development program in bioenergy**, including biofuels derived from agricultural byproducts, cellulosic biomass and waste.

Energy Policy Act of 2005

BOUTIQUE FUELS

State requirements for the production of specialty "boutique fuels" create geographic supply islands which cause price spikes in times of a supply disruption or tight supply. Local requirements make it difficult, in times of a supply disruption or shortage, for excess supply from another area of the country to make up the difference, therefore prices are kept artificially high. The Energy Policy Act of 2005, through the boutique fuels provision, will provide the Environmental Protection Agency (EPA) administrator, in consultation with the Secretary of Energy, several ways to reduce gasoline prices.

- **Gives the EPA administrator**, in the event of an extreme and unusual supply emergency, (i.e., a Gulf of Mexico hurricane impacts refinery production and distribution; unexpected pipeline disruption) **the ability to temporarily waive certain requirements** thereby avoiding potential supply shortages and price spikes.

- **Requires the EPA to create and publish a list of existing boutique fuels** in order to establish a cap on the number of boutique fuels.

- **Permits areas the flexibility to continue the use of the listed boutique fuels while allowing for the replacement of a boutique fuel,** upon approval of the administrator, once it becomes obsolete with a new clean fuel.

- **Alleviates factors contributing to price increases** by stating that the EPA's approval of a new fuel must not cause fuel supply interruptions or a significant adverse impact on the ability to produce a fuel.

- **Directs the EPA administrator and the Secretary of Energy to study jointly the effects on air quality, the number of fuel blends, fuel fungibility and fuel costs of State Implementation Plans** (SIPs) adopted pursuant to the Clean Air Act. The focus of the joint study is on the development a federal fuels system.

ENERGY POLICY ACT OF 2005

HYDROGEN

With crude oil hovering just below $60 a barrel, hydrogen fuel cell technology becomes critically important to our national security, our economy and our balance of trade.

The movement toward a hydrogen economy is gaining momentum in the United States. Five major energy companies have joined as partners in the President's FreedomCAR and Hydrogen Fuel Initiatives. In addition, more than 70 projects at universities and federal laboratories have been selected to conduct basic research in support of the hydrogen economy.

Some barriers to production are already being overcome. While gasoline prices climb, hydrogen fuel is becoming more affordable. New technologies have driven the cost of natural gas-based hydrogen down from $5.00 per gallon in 2003 to $3.60 today. As it is, the United States currently produces about 9 megatons of hydrogen per year, almost all of it by reforming natural gas. The Department of Energy estimates that by 2040 cars and light trucks powered by fuel cells will require about 150 megatons per year of hydrogen.

If just 20 percent of cars used fuel cell technology, we could cut oil imports by 1.5 million barrels every day, according to the U.S. Fuel Cell Council. The bill:

- **Authorizes $3.7 billion over 5 years for hydrogen and fuel-cell research** as well as infrastructure to support hydrogen-powered cars.

- Hydrogen-powered cars reduce our reliance on foreign oil and protect our environment. **With hydrogen fuel, a zero-emission car is possible.** Safe and affordable hydrogen-powered fuel-cell vehicles would emit water vapor instead of exhaust fumes.

- Two years ago, the **President launched his Hydrogen Fuel Initiative to develop the technology to produce, store, and distribute hydrogen for use in fuel-cell vehicles.** Hydrogen can be produced from domestic fossil, nuclear, or renewable resources.

- **The authorization in the energy bill will add to the $440 million already spent on federal research.** This investment is helping to move hydrogen fuel-cell cars from the laboratory to the showroom. Provisions in the energy bill will help overcome critical technology barriers in the production, transportation, storage, and use of hydrogen.

- **It directs the secretary to transfer critical hydrogen and fuel cell technologies to the private sector** and to foster the exchange of non-proprietary information. It also establishes demonstration programs for hydrogen technologies and fuel cell vehicles for light-duty and heavy-duty vehicles.

ENERGY POLICY ACT OF 2005

COAL

Coal plays a vital role in energy production and our economy. Half of our nation's electricity is produced from coal and the nation has more than 250 years worth of available reserves. Current projections indicate that U.S. electricity demand will increase by more than 30 percent in the next 15 years. The energy bill addresses this challenge by including several measures which will demonstrate and deploy new clean coal technology which vastly reduces air emissions as well as other technology to increase the efficiency of coal-based power systems.

Clean Coal Technologies

- Authorizes more than $250 million per year for the Department of Energy's fossil program for existing and new coal-based research and development. It **requires the establishment of national centers for the advancement of clean coal technologies**. Research is focused on innovations at existing plants, new advanced gassification and combined cycle plants, advanced combustion systems and turbines as well as fuel-related research.

- Provides **$1.8 billion authorization for the secretary to carry out the Clean Coal Power Initiative**, which will provide funding to those projects that can demonstrate advanced coal-based power generating technologies that achieve significant reductions in emissions. Mandates that at least 60 percent of the $1.8 billion will be used for projects on coal-based gasification technology and that these projects meet stringent environmental performance standards and vastly increased efficiency standards. Projects that would provide for the separation and capture of carbon dioxide are also authorized.

- **Includes a $3 billion authorization for the Clean Air Coal Program** to encourage the deployment of air pollution control equipment and newly developed and higher-efficiency generation equipment. These projects may be funded through loan guarantees, cost-sharing and cooperative agreements.

- As the market price for coal declines, operators are forced to make a difficult decision as to whether or not it makes sense to continue their operation, or close the mine. **This legislation allows operators the ability to shut down operations for a period of time, without closing their mines** and provides states with a steady stream of revenue that would otherwise be lost if the mines were closed.

- **Allows operators to extend the length of their leases** to ensure that existing reserves are exhausted before new mines are developed.

ENERGY POLICY ACT OF 2005

INDIAN ENERGY

- The legislation will **streamline the tribal leasing process so that outside parties have more incentive to partner with tribes** in developing energy resources and will provide investment in critical energy infrastructure on Indian lands.

- **Indian lands contain some of the richest energy reserves** in the nation. Although Indian land accounts for only 5 percent of the land area of the United States, it contains;

  - ✓ 30 percent of identified coal deposits,
  - ✓ 5 percent of our nation's oil, and
  - ✓ 10 percent of our natural gas.

- Tribes **face an additional burden in attracting partners** and that is a result of the paternalistic lease approval system that requires the Secretary of the Interior to approve all tribal leases. This delays action and creates investment uncertainty.

- This title **will change the existing lease agreements between the secretary of the Interior and tribes to allow tribes to enter into a lease or agreement without the approval of the secretary** so long as those leases or business agreements conform to regulations promulgated by the secretary.

- The legislation **establishes a process by which a tribe may submit a plan governing leases and rights-of-way to the secretary for approval**. It requires the tribe to demonstrate to the secretary that the plan includes provisions regarding lease and contract terms, environmental regulation, and public notification and comment.

- The title **creates the Office of Indian Energy Policy and Programs** within the Department of Energy. This office will provide grants and loan guarantees to tribes to facilitate the development of their energy resources and infrastructure.

- All of these **agreements are voluntary**. If an Indian tribe objects, then the tribe has the option to not be a part of the agreements.

- The legislation **enjoys strong support from numerous Indian Tribes and Tribal Associations**.

Committee on Ways and Means

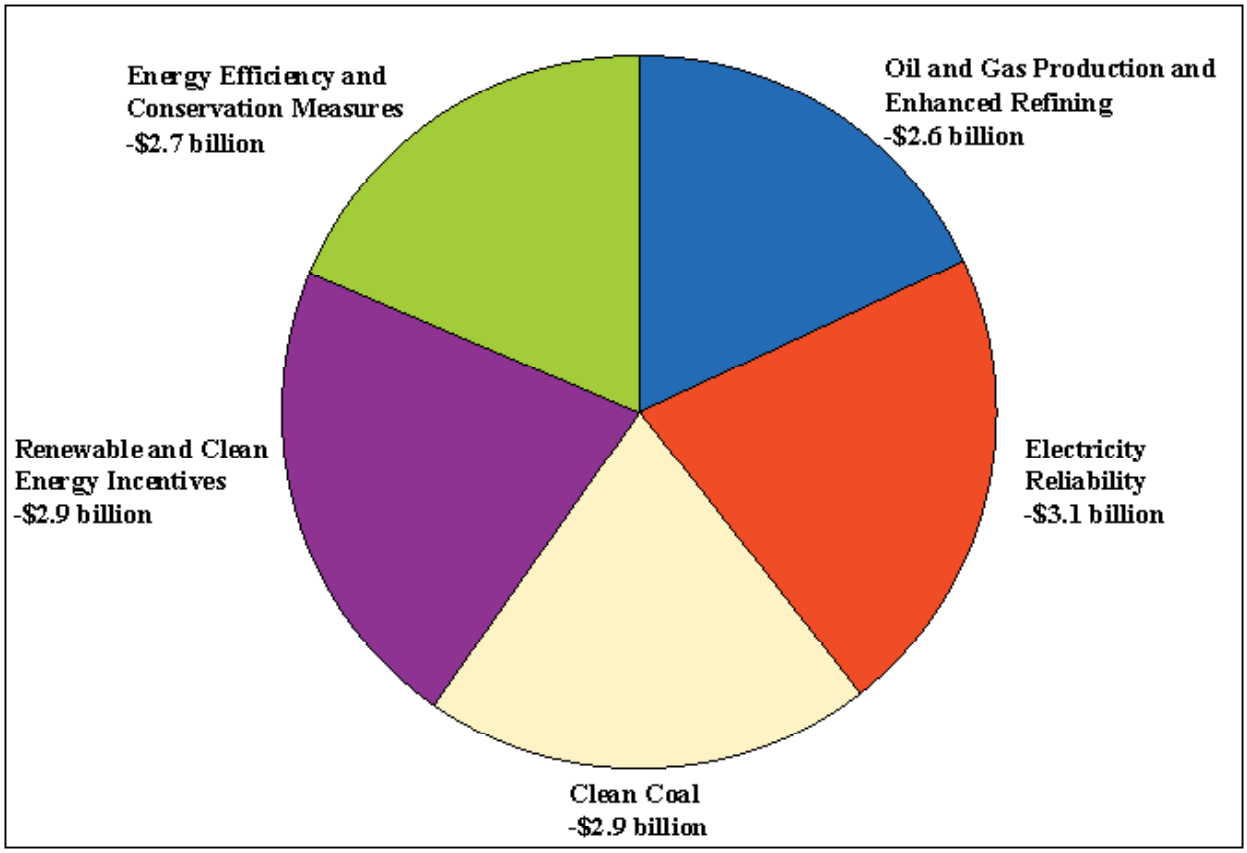
H.R. 6, Energy Tax Incentives Act of 2005

Tax Incentives for Production, Renewables and Conservation

This balanced package includes $14.5 billion in tax incentives to improve energy production, transportation and efficiency.

Energy Tax Incentives in H.R. 6

Fiscal Years 2005 – 2015



OIL AND GAS PRODUCTION, DISTRIBUTION AND ENHANCED REFINING

- Reduces the depreciation period for national gas distribution lines from 20 years to 15 years for lines placed in service through December 31, 2010.

- Allows two-year amortization of geological and geophysical costs incurred in connection with oil and gas exploration in the United States.

- Allows 50 percent expensing of the cost of refinery investments which increase the capacity of an existing refinery by at least 5 percent or increase the throughput of qualified fuels by at least 25 percent. Expires after December 31, 2011.

- Under present law, small refiners are eligible for percentage depletion deductions if their refinery runs do not exceed 50,000 barrels on any day of the year. The provision increases the 50,000 barrel limit to 75,000 barrels and bases the limit on average daily production.

- Creates a statutory safe harbor exception to the tax-exempt bond arbitrage rules, which allows public utilities to finance prepayments for natural gas with tax exempt bond proceeds if the natural gas is used to supply the utility's customers. This allows utilities to secure natural gas supplies for their customers at the best prices.

- Clarifies uncertainty under present law by providing that natural gas gathering lines are subject to seven-year depreciation (consistent with recent court cases).

- Allows the present-law deduction for costs incurred to comply with EPA low sulfur diesel regulations to be passed through to members of a cooperative.

ELECTRICITY RELIABILITY

- Reduces the depreciation period for assets used in the transmission and distribution of electricity from 20 years to 15 years.

- Allows any taxpayer to deduct contributions to a qualified nuclear decommissioning fund and allows the fund to accumulate enough reserves to pay 100 percent of the plant's decommissioning costs. Additional contributions are allowed in limited circumstances.

- Permanently extends the present-law exception to the "85/15" for tax-exempt electric cooperatives. This test has made it difficult for cooperatives to participate in electricity market deregulation and open access transmission of electricity.

- Electric utilities that sell their transmission assets to a FERC-approved independent company can pay tax on the gains over eight years. The provision extends this rule through 2007.

- Creates a production tax credit for new nuclear power facilities at a rate of 1.8 cents per kWh for electricity produced over an eight-year period.

- Allows a five-year carryback of net operating losses of up to 20 percent of the cost of electric transmission capital and pollution control expenditures.

RENEWABLE AND CLEAN ENERGY INCENTIVES

- Extends the renewable electricity production credit (section 45) through December 31, 2007 for the following qualified facilities: wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation power, landfill gas, and trash combustion. Provides parity in duration of the credit (10 years) for all qualifying sources of energy. Expands credit to incremental hydropower. In addition, allows pass through of the credit to members of a cooperative.

- Authorizes the issuance of $800 million of tax-credit bonds before December 31, 2007 to support renewable investment by municipal power authorities, rural cooperatives and others.

CLEAN COAL

- Establishes three tax credits for investments in clean coal facilities producing electricity: (1) 20 percent credit for industrial gasification projects, (2) 20 percent credit for integrated gasification combined cycle (IGCC) projects, and (3) 15 percent credit for other advanced coal-based projects that produce electricity.

- Allows power plants to amortize the cost of air pollution control facilities over 84 months.

- Rationalizes the tax credit for fuel produced from non-conventional sources (section 29) by including it in the "general business credit." As a result, unused credits may be carried back one year and carried forward for up to 20 years. In addition, the credit is extended to coke and coke gas. The credit expires in January 1, 2010 or four years after the facility was placed in service, whichever is later.

ENERGY EFFICIENCY AND CONSERVATION MEASURES

- Provides tax credits for the purchase of hybrid, fuel cell, advanced lean burn diesel and other alternative power vehicles. The size of the credit varies depending on the weight class of the vehicle and the rated fuel economy.

- Provides a 30 percent credit (up to $30,000) for investments in alternative fuel refueling stations. Qualifying fuels include E-85, natural gas, hydrogen, and biodiesel, among others. The credit applies to property placed in service before December 31, 2009 and, for hydrogen property only, property placed in service before December 31, 2014.

- Expands the small ethanol producer credit to producers with annual production capacity of 60 million gallons (up from 30 million gallons under current law). In addition, creates an equivalent credit for producers of agri-biodiesel through December 31, 2008.

- Reduces the tax rate on qualifying diesel-water emulsions from 24.4 to 19.7 cents-per-gallon to reflect the lower Btu content resulting from the water.

- Extends the income and excise tax credits for biodiesel through December 31, 2008. Allows "renewable diesel" to claim similar income and excise tax credits at the $1.00 rate applicable to agri-biodiesel.

- Creates a 30-percent tax credit for the purchase of residential solar water heating, photovoltaic equipment, and fuel cell property. The maximum credit is $2,000 (for solar equipment) and $500 for each kilowatt of capacity (for fuel cells). Expires after 12/31/2007.

- Creates a 30-percent business tax credit for the purchase of fuel cell power plants and a 10-percent credit for the purchase of stationary microturbine power plants. Expires after December 31, 2007.

- Creates a 10-percent personal tax credit for energy efficient improvements to existing homes. The maximum credit is $500 ($300 for windows). Expires after December 31, 2007.

- Creates a business tax credit for the construction of new energy efficient homes. The credit applies to manufactured homes meeting a 30 percent energy reduction standard and other homes meeting a 50 percent standard. Expires after December 31, 2007.

- Provides a deduction for energy efficient commercial buildings meeting a 50 percent energy reduction standard. The maximum deduction is $1.60 per square foot of the building. Expires after December 31, 2007.

- Provides a manufacturers' tax credit for energy efficient dishwashers, clothes washers, and refrigerators manufactured in 2006 and 2007.

- Provides that expenditures to qualified research consortia with respect to energy-related research would be eligible for the 20 percent research and experimentation tax credit for one year.

OTHER PROVISIONS

- Reinstates the Oil Spill Liability Trust Fund tax.

- Extends the Leaking Underground Storage Tank Trust (LUST) tax through September 30, 2011 and applies the tax to dyed fuel.

- Clarifies that that the definition of a super single tire does not include tires to steer the vehicle super single tires is not designed to steer the vehicle.

- Modifies the recapture rules for amortizable section 197 intangibles. If multiple section 197 intangibles are sold or disposed of in a single transaction or series of transactions, the seller must calculate recapture as if all of the section 197 intangibles were a single asset.

Committee on Ways and Means

A Pro-Consumer Energy Package

H.R. 6 includes new tax incentives directed at consumers to improve the energy efficiency of their homes and belongings.

- **Improving homes —** A 10 percent tax credit (up to $500) is available for improving insulation, roofs, heating, cooling equipment and other aspects of homes.

- **Encourages builders to offer more efficient new homes —** Gives the builder a credit of up to $2,000 for each home which is at least 50 percent more energy efficient.

- **Better cars —** H.R. 6 provides tax incentives for consumers to buy hybrid and lean-burn diesel cars.

- **More access to alternative fuels —** A 30 percent investment credit will encourage fuel stations to deploy fueling equipment for alternative fuels like ethanol.

- **Extends incentives to produce biodiesel —** Extends current tax credits for production of biodiesel through 2008, creates a new incentive to produce renewable diesel fuels and creates an additional incentive to help small volume producers of biodiesel enter the market.

- **Incentives to use solar power and fuel cells at home —** Provides a 30 percent tax credit for purchase of solar power, solar water heating and fuel cell technologies for use in residential property.

- **Energy-Efficient Appliances —** Includes tax incentives for the manufacture of better washing machines, refrigerators and dishwashers.

Committee on Ways and Means

H.R. 6 PROMOTES CONSERVATION AND ENERGY EFFICIENCY

More than $8 billion of the tax incentives in the Energy Tax Incentives Act of 2005 (H.R. 6) help to conserve energy and to make our economy more fuel efficient.

- **Tax incentives for electricity from renewable sources –** H.R. 6 provides an expansion and 2 year extension of the tax credit for clean, renewable energy produced from wind, geothermal, biomass, hydropower, landfill gas and municipal waste. This reduces our dependence on fossil fuels and provides for an even cleaner environment.
- **Clean and renewable power for electric cooperatives –** extends the benefits of the renewable energy tax credit to agricultural and electric cooperatives. This ensures long-term preservation of our valued rural areas.
- **Cleaner and more efficient coal –** the clean coal tax credits promote a greater reliance on domestic coal while making sure coal use is cleaner and more efficient than ever before. The pollution control device amortization provision enables energy companies to retrofit existing coal plants so that they too can provide cleaner energy than ever before possible.
- **Energy efficient buildings at work and at home –** tax incentives to create energy-efficient commercial buildings and energy efficient homes will help Americans set new standards in energy conservation, whether they are at work or at home.
- **Appliances using less electricity –** creates a tax incentive for energy efficient refrigerators, washing machines and dishwashers. These efficient appliances use less energy and deliver lower energy bills to Americans.
- **Cleaner and more fuel efficient cars --** Tax incentives for hybrid, lean-burn diesel and alternative fuel cars will enable Americans to save money at the gas pump and help the environment at the same time.
- **Better access to better fuels –** tax credits for biodiesel, ethanol, and other alternative fuels help reduce American dependence on foreign sources of fossil fuel while making for a cleaner environment.
- **Recycling for the future –** H.R. 6 authorizes the federal government to study the future of waste material recycling. The next generation of recycling can save even more energy while reducing the growth of our landfills.

Committee on Ways and Means

Diversifying Energy Supplies with Clean Coal

H.R. 6 KEEPS COAL WORKING FOR OUR FUTURE

Nearly $3 billion of the tax incentives in the Energy Tax Incentives Act of 2005 (H.R. 6) focus on making clean, cost-effective power out of our nation's abundant supplies of coal.

- **Tax incentives to invest in new coal technologies** — Provides more than $1.6 billion in tax credits to fund projects for integrated gasification combined combustion (IGCC) and advanced clean coal projects.

- **Improves air quality —** Provides $1.1 billion for investment in new pollution control equipment at utilities.

- **IGCC technologies will lead to cleaner fuels** — Coal gasification will produce clean synthetic natural gas which can replace increasingly expensive natural gas.

- **Gasification credits answer industrial needs** — H.R. 6 industrial gasification incentives will encourage development of alternative gas supplies needed to keep jobs dependent on natural gas here in the United States.

- **Gasification will help farmers —** Nitrogen fertilizers are growing increasingly costly because of the cost of natural gas. Finding alternative gas supplies for American companies will help farmers keep down costs.

Committee on Ways and Means

Investing in Our Energy Infrastructure

H.R. 6 HELPS AMERICAN ENERGY COMPANIES INVEST IN AMERICA

More than $4 billion of the tax incentives in the Energy Tax Incentives Act of 2005 (H.R. 6) focus on investing in the modernization and enhancement of our national electric and gas utility infrastructure.

- **Tax incentives to modernize the electricity transmission grid** — provides more than $1.2 billion in accelerated depreciation benefits to electric utilities to modernize and upgrade the national electricity grid. This upgrade allows utilities to provide better and less expensive service to all customers and also will help prevent catastrophic blackouts, similar to what occurred in 2003.

- **Electric cooperatives can continue to serve their members in a deregulated market –-** reforms tax laws which were written long before the notion of electric deregulation was considered. This allows cooperatives to continue to provide power where other power companies won't go, while still operating in the deregulated electricity market.

- **Reforms outdated rules related to nuclear decommissioning funds —** permits owners of nuclear power plants to more efficiently set aside funds for future plant retirements. This incentive helps guarantee protection of our environment while making these important facilities more competitive in the electric market.

- **New gas utility pipes for better service and increased safety** — H.R. 6 provides more than $1 billion in accelerated tax depreciation to America's gas utilities so that these companies may upgrade their gas distribution network. By providing this tax incentive, our gas utilities can modernize and ensure long-term safety and reliability for all Americans.

Increasing Domestic Supply

Resources Committee Chairman Richard W. Pombo focused on using America's traditional and alternative resources to supply our needs, ease long-term energy prices, promote U.S. jobs and strengthen our economy.

The Resources Committee portion of the energy bill will encourage oil, coal and natural gas production in America to boost our supply with affordable and abundant resources, lower prices for consumers and keep jobs at home.

- Encourages companies to develop U.S. resources rather than send their investments overseas by improving the permitting process for fossil fuel development on federal lands.
- Provides incentives for off shore oil and gas production, only when energy prices are low. Incentives will not take effect during periods of high commodity prices.
- The U.S. has been called the Saudi Arabia of oil shale. This bill expedites commercial leasing to access the more than 2 trillion barrels of oil in oil shale deposits scattered across the nation.

The Committee included measures to promote the use of clean, green renewable energy.

- Encourages environmentally-friendly renewable energy production on federal lands through incentives and streamlined regulation while leaving current environmental regulations intact.
- Reduces chances of blackouts by bringing a potential 5 to 10 percent gain in hydropower facilities output by upgrading federal hydropower plants.
- Improves the leasing procedures and royalty structure for commercial generation of electricity from geothermal resources.

The Set America Free (SAFE) Act seeks North American energy independence by 2025.

- North America could increase its oil supply by 17.2 million barrels *per day*. Studies cited by the Resources Committee estimate North America has the resource base to achieve energy independence within 20 years, including conventional and non-conventional natural gas, oil, coal, renewable and alternative energies.
- The title establishes a U.S. commission with representatives from America, Canada and Mexico to study our collective resources and to achieve energy independence by 2025.

The Pombo China amendment protects U.S. national security, economic and energy concerns.

- The amendment requires a 120-day study on the economic and national security implications of Chinese energy consumption before the Administration may begin its process to approve any Chinese government-owned company's attempt to acquire a U.S. energy asset.

The Energy Policy Act of 2005 also supplies the U.S. demand by:

- Maximizing federal coal production and returns to the U.S. treasury.
- Promoting a "good Samaritan" pilot project to help clean-up the more than 57,000 "orphan" wells that have become wards of the federal government.
- Promoting sequestration of carbon dioxide as a means of enhancing oil and natural gas production from old and existing wells.
- Promoting tribal energy development through self-governance of energy resources in Indian Country.